

**Nebraska Universal Service Advisory Board Meeting
Public Service Commission Library
The Atrium, 1200 "N" Street
Lincoln, Nebraska
October 9, 2003**

The Nebraska Universal Service Advisory Board met October 9, 2003 at the Public Service Commission Library, 300 The Atrium, 1200 N Street in Lincoln, Nebraska.

Deonne Bruning, Chair of the Advisory Board, called the meeting to order at 2:31 pm. The following board members were present:

Deonne Bruning;
Charles Fast;
David Rosenbaum;
Rod Wagner;
Alan Wibbels

Absent from the meeting were Anne Byers, Roger Keetle, and Bob Lanphier.

Present from the Public Service Commission staff were Jeff Pursley, Tyler Frost, and Nichole MacDonald. Present from the Public were Wayne Fisher with the Department of Education and Tom Rolfes with the Chief Information Officer's Office.

Approval of Minutes from April 28, 2003

Motion by Mr. Rosenbaum and Seconded by Mr. Wibbels. Upon agreement of all board members present, minutes were approved as presented and Motion carried.

Replacement for Board Member Richard Fleming

Mrs. Bruning announced the Public represented position Dick Fleming held would need to be filled. Mr. Fast recommended someone from a rural economic group and Mr. Rosenbaum suggested contacting Congressman Osborne's staff for a recommendation. Mr. Wibbels suggested an individual from a regional economic group that encompasses Grand Island and Kearney and also agreed Congressman Osborne's office would be a good resource. Mrs. Bruning commented if the new board member is from Western Nebraska, the Board should consider using video conferencing and/or teleconferencing for future meetings.

Mr. Rosenbaum stated his first choice for the new Board member would be someone who is interested in preserving rural parts of the state. Mr. Fast agreed with Mr. Rosenbaum and feels rural interests are the most important aspects to look for in Mr. Fleming's replacement. Mrs. Bruning suggested contacting the Governor's Office for county advocates as well. Mrs. Bruning suggests she and Mr. Pursley make some phone calls and gather some names and then circulate list of nominees to the group. Mr. Fast reminded the group that the Board's Bylaws state the NPSC appoints the new member to the Board, but the Board can still provide the Commission with a recommendation.

Update of Lifeline/Link-Up (now NTAP) and HHS Mail Project

Mr. Pursley shared the following updates:

1. 50,000 people were identified as eligible (per HHS programs) that were not in the NPSC database. There have been a few minor problems with the NPSC database in that a few duplicate letters were mailed out to individuals already on NTAP.
2. The mailing was broken into 5,000 monthly increments and the Commission has hired a temporary employee to help handle the workload increase.
3. The first mailing was sent out on September 8, 2003 and we have only received around 700 back out of the 5,000 mailed. This return is disappointing and we are hoping to see better numbers in the upcoming months. Many letters in the first mailing were sent to residents in nursing homes and we then had the sons and/or daughters contacting us stating their mother/father cannot speak and doesn't need a telephone. HHS is at a loss too as to why the return numbers are lower than expected.
4. The next mailing is going to be mailed on October 14, 2003. If we keep getting low return numbers, we may want to up the 5,000-letter amount. We want to hold off on this for a couple of months until we can get a more permanent trend. We will probably re-visit this issue after Christmas.
5. If the return rate remains low, NPSC may want to consider hiring a telemarketing group to investigate the issue and maybe think about running the letters again after the results of the investigation are known.
6. Without consulting the NPSC, HHS informed their caseworkers that they no longer have to distribute NTAP application forms to their clients and no longer have to verify NTAP application forms. Mr. Pursley met with Mike Harris of HHS about this and Mr. Harris reported HHS was trying to streamline operations. Mr. Pursley informed Mr. Harris the NPSC would be more than willing to incur the costs of printing and mailing forms to HHS so that their employees would have the necessary materials to inform clients about NTAP. Mr. Pursley reiterated to Mr. Harris how important it was for HHS to continue to notify their clients about NTAP.
7. The Commission will have to make a deficit request for the HHS mailing. The mailing itself (with the estimated 75% return rate) would be \$50,000-\$60,000. That estimated cost also includes the 1,000 monthly letters to be mailed ongoing after the initial mailing is completed, as well as paying for a temporary employee.

Mrs. Bruning asked Mr. Pursley if the NPSC still needed help processing the NTAP applications. Mr. Pursley reported the NPSC is receiving about twice as many applications then we normally did before the NTAP mailing began. Mr. Pursley reported the temporary employee is processing the applications and Kathy Ptacek, the Commission permanent employee, is handling the phone calls because that number has increased due to the HHS mailing.

NUSF Funded Health Care Project

Mr. Pursley shared the following updates:

1. The Tele-Health plan was filed in May and the Commission staff (staff) had some questions, so there have been several meetings.
2. The most recent meeting was in Grand Island about a month ago with representatives from the hub hospitals. The staff reiterated to the hospitals that they need to be working together and connect all networks with an agreed upon set of standards. Staff also reminded them that the NUSF monies can only support telephone companies to lower rates and the NUSF monies will not go directly to the hospitals to purchase equipment.
3. Overall it was a good meeting and all of the hub hospitals we expected were there and cooperative. The Med Center in Omaha, Bryan LGH, St. Elizabeth, Norfolk, Grand Island, Kearney, Scottsbluff and North Platte were all represented at the meeting.
4. The Hospital Association is currently obtaining prices for these services. The Commission has earmarked \$900,000 per year for this project. No money has been used for this year, however some could be paid retroactively.
5. Roger Keetle is working with hospital representatives to set up a couple of panels. One panel is being chaired by Donna Hammack with St. Elizabeth's Hospital and is geared towards finding statistics to measure usage of the network to ensure NUSF is being used properly. The other panel is being chaired by Bruce Thiel with Bryan LGH and is developing standards for different networks to interconnect and working on a plan on how they are going to schedule usage on the network.

Update on the progression of NUSF-26

Mrs. Bruning reminded the Board that this is the NUSF Long Term Funding Docket and could result in a major shift of funding because funding right now is based on access reductions and the long-term mechanism is looking to be cost based. She also informed the group that there was a workshop on October 1, 2003 regarding the staff's funding proposal and every ILEC participated in the workshop.

Mr. Pursley shared the following updates:

1. In NUSF-26, the Commission is considering basing NUSF support from embedded costs to forward looking costs and being independent of specific company data.
2. The Forward Looking Cost (FLC) model looks at each exchange and pulls out incorporated places of more than 20 households based on the 2000 census. What we have seen in most areas where there are more than 20 households is that they need little support.
3. Based on the FLC model, the total support needed would total between \$100 and \$200 million. The Commission feels the current 6.95% surcharge is the highest consumers

should pay. The NUSF will not have the total \$100-\$200 million needed to support the entire network. Therefore, weights will be assigned to each support area and support will be calculated accordingly.

4. The staff feels because of the significant change in support, there should be a 5-year transition period to ease into the different support levels.
5. The staff recommends only supporting a single network because it would break the NUSF to try and support several networks. Therefore, CLECs could receive support for services on an ILEC's network.
6. One question the staff is contemplating is whether benchmark prices should remain in tact for business rates since the funding mechanism is looking at household numbers for support areas.
7. The next step for NUSF-26 is the staff will put together a final proposal and the Commission would probably release it for comments. At this point, the Board could submit comments.
8. There is no support discussed in NUSF-26 for schools and libraries and there have not been formal requests made for such support. In the NUSF-26 calculations the only monies earmarked are for High Cost, NTAP and Tele-Health.

Update on the lawsuit against the NUSF

Mrs. Bruning reported the following:

1. This is the third time the lawsuit was filed. It was filed in the last week of July in the Lancaster County District Court. There are probably six to eight lawyers on this case.
2. They have named all ETCs as defendants and it should have been all NETCs. The defendants are trying to put together a statement of facts and a stipulation they will agree to. This will most likely be scheduled for a hearing, but that is a long way off. This whole process is far from being over.

Other Business

Mr. Pursley informed the Board that the Governor's Office recently contacted the staff inquiring about the NUSF balance and status. He also reported that the NUSF is seeing a noticeable decline in remittances to the fund. Remittances are down about \$300,000 per month for the last 6-8 months, which means the fund has had a negative growth rate in the last few months.

Mrs. Bruning then asked Mr. Pursley if he felt confident all companies are remitting into the fund. Mr. Pursley responded by stating the audit requirements should be helping this kind of situation. He also stated that this continues to be an issue with start up companies, however this should not be considered the reason for the declining remittance levels. Mr. Pursley went on to state that he believes wireless phones and the internet are the reasons for declining landline phones.

Public Comments (none presented).

Adjourn

Motion by Mr. Rosenbaum and Seconded by Mr. Fast to adjourn. Upon agreement of all board members present, the meeting adjourned at 3:55 pm.